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Good morning Rep. McCollum. I commend you for holding this hearing on the need for national health care reform.

Minnesota is one of the nation's healthiest states with one of the highest insured rates in the nation. Investments in coverage for low-income families, strong public health initiatives, and a primarily non-profit insurance system have all contributed to our state's reputation for a health care system that provides high-quality care at a relatively low-cost compared to other states. Yet due to rising costs, our state's current system is unsustainable without substantial payment reform at the federal level.

In 2008, health care leaders from around the state collaborated on comprehensive health care reform legislation that mirrors many of the proposals being discussed at the federal level: an individual insurance mandate, investment in prevention, insurance market reforms, and care coordination incentives for providers. One of the central components of the legislation – and the one that has the most potential for cost-savings -- was payment reform. There was a bipartisan consensus that transforming the health care system must start with changing the way we pay for health care. Without substantial cost containment at the state and federal levels, neither Minnesota, nor the United States, can hope to afford the costs of universal coverage.

The underlying payment structure fails to adequately meet the care needs of patients and undermines health care providers' attempts to provide high quality health services. Our entire health care system's payment regimen is built on Medicare standards that emphasize a 'tyranny of the visit' philosophy which pressures providers to increase volume, does not value quality, and prioritizes specialty care at the expense of primary care. In too many instances, the result is inappropriate care provided to patients which does nothing more than increase total health spending.

In order to begin to contain costs, Minnesota's legislation included a number of reforms that restructure the payment system, moving us away from Medicare-based standards and toward a system that promotes quality-care and transforms the way health care is delivered and received. The payment reform included three components to both hold providers accountable and encourage

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evidence-based, high-quality health care. At each level there was an emphasis on the need for transparency for both providers and consumers.

1. Explicitly pay providers for the quality of care they provide.
2. Encourage care coordination through a medical home model that improves access to primary care.
3. Establish a system of accountability for the total cost of care through bundled care pricing.

Without similar, or even more aggressive payment reforms in Medicare, our health care system's growth will be unsustainable. Medicare's participation is essential in order to create a critical mass of payers in the new system. Providers in Minnesota have spoken up regarding the disincentives in the current payment system to develop new strategies to provide more efficient forms of health care. For instance, in Minnesota a number of health care systems have initiated new approaches to managing chronic conditions including congestive heart failure, hypertension and diabetes. While their patient outcomes have dramatically improved and they have seen reductions in hospitalization, these systems have consistently lost money because the current Medicare-based payment structures do not reimburse for non-office visit treatment.

Similar reforms are also being discussed in Congress. *A Call to Action* released by Senator Baucus in November outlined the need for pilot programs around accountable care organizations in Medicare as a way of testing new payment structures. Similarly the House Tri-Committee bill authorizes the Secretary of Health and Human Services to develop new cost containment methodologies including accountable care organizations and medical homes. In Minnesota we have already started down this path and should be rewarded for our innovation.

Representative McCollum, I know you are aware of the situation health care providers face in Minnesota. I want to thank you, as well as Minnesota Representatives Oberstar, Paulsen, Walz and Ellison, for your recent letter on this issue. As the health care reform bill moves through the House, I know you will be a strong voice for the change we in Minnesota deserve. I fear that if Congress waits to enact real payment reform that we all will pay the price.

As we all know there is no silver bullet to solving our nation's health care crisis. We must work together to achieve the kind of health care system we all deserve. The consequences of doing nothing will leave us with an impossible situation. We must begin to change the system we have into a system that works. This is a unique opportunity to make a difference; a point in time that will not last forever.

President Obama made the case in his February Address to Congress this year stating "... a century after Teddy Roosevelt first called for reform, the cost of our health care has weighed down our economy and the conscience of our nation long enough. So let there be no doubt: Health care reform cannot wait, it must not wait, and it will not wait another year."